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1 March 1957

MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: The Polish Trade Discussion

1. The meeting of 28 February was devoted to the answering of a series of questions on Poland's balance of payments. The responses to these questions were in many ways not completely satisfactory from a commercial credit point of view but proved to be particularly enlightening from an intelligence point of view.

2. A request for a detailed balance of payments statement in the International Monetary Fund format was requested and the Polish Delegation indicated that this would involve some detailed calculation but that it would be presented in the near future.

3. The Polish Delegation in response to questions, again outlined their program for the conservation of coal and the necessity to increase investment in coal mining, indicating that for each of the major mines which they modernized they could expect a \$20 - 25 million per year increase in production after an initial period of 2 to 3 years. In the process of responding to this question, they indicated that they had electrified the railroad from Warsaw to the Silesian Basin and were presently in the process of electrifying the railroad from the Silesian

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Basin to the Baltic ports. They indicated the latter would result in a saving of one-half million tons of coal per year or the equivalent of \$10 million in foreign exchange. Modernization of one major mine would require an import of only \$5 - 6 million from the West for certain special equipment; the remainder of the modernization would be provided by Polish major industry. Polish statements indicated that total investment outlays in Poland had been reduced from 29 percent in recent years to 19 to 20 percent for 1957.

4. A great deal of time was again devoted to a discussion of prices both internal and foreign trade. This discussion indicated that most of the American Delegation have an extremely difficult time understanding the price mechanism in the Socialist economy. The Chairman of the Polish Delegation indicated that the present internal-external price relationships was essentially the basis for the reevaluation of the zloty; namely, 24 zloty to the dollar. To a question requesting the credit terms for Poland's export of capital equipment to underdeveloped countries, the Polish Delegation specified that all such transactions had been either in cash or for domestic raw materials.

5. To the question, to what extent is Poland tied to other Communist countries by CEMA, the Polish Delegation replied that there were no formal ties in CEMA other than those chosen by the participants. No collective action could be taken without consultation and any nation might withdraw on its own initiative. (We consider this an accurate statement of the

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relationships except insofar as Party pressures may be exerted upon participating countries, a situation which might be exceedingly difficult in present day Poland.

6. Discussing their debt to Communist countries, Poland indicated that \$25 million had been borrowed from the USSR last autumn, half of which came in merchandise deliveries and half in coal. They have not yet used any of the \$1.75 million credit for capital goods made available at that time. There is in addition a \$100 million credit for grain already delivered to Poland, grain which Poland anticipates will tide them over anticipated failure of deliveries under their new agricultural program. To a question on these deliveries, the Polish Delegation indicated that deliveries were held up because of snow conditions in the USSR and that subsequently the deliveries came in at such a rapid rate that they had trouble handling the grain. Responding to a question on foreign exchange reserves, the Polish Delegation indicated they felt an optimum reserve to be \$75 million, that at present their reserve during the normally deficit spring of the year is about \$15 million.

7. The Polish Delegation indicated that their income from shipping was not great but that they normally received payment in convertible pounds sterling. They also specified that their earnings from rail transit traffic between the USSR and East Germany was \$30 - 40 million per

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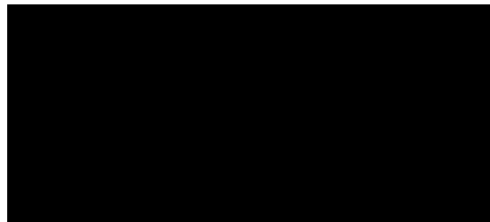
year. They indicated that the total receipt of remittances abroad was about \$6 million per year, this sum received in a great variety of free currencies.

8. Asked about the drain on Polish foreign exchange of the stationing of Russian troops in Poland, the Poles indicated they preferred not to discuss the details of this matter but wished to emphasize that they get a net gain financially from this stationing. The Soviets pay for all Polish goods and facilities used.

9. The Polish Delegation was unable to discuss the recent Czech loan of some 900 million zloty because they indicated they did not have detailed knowledge of the terms.

10. The Polish Delegation continued to answer all questions specifically where such information would be expected to be available to them. They have kept a keen sense of humor and proportion even where questions might have been thought quite trying. The answers have been quite candid and direct to the point even to conveying considerably more information of intelligence value than detailed commercial information.

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